

# Financial Year 2022 Results

24 February 2023

## Disclaimer

The forward-looking statements in this presentation reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events as at the date of this presentation. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Some examples of these risk factors include disruption to global supply chains, general economic conditions, interest rate trends, inflationary pressure, shifts in customer demand, regulatory changes and natural disasters which may negatively impact business activities of the ST Engineering Group.

No assurance can be given that future events will occur, or that assumptions are correct. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

# Agenda

## Financial Highlights

- Group Highlights
- Productivity Metrics
- Debt Profile
- Dividends
- Outlook
- Segment Highlights

## Question & Answer session

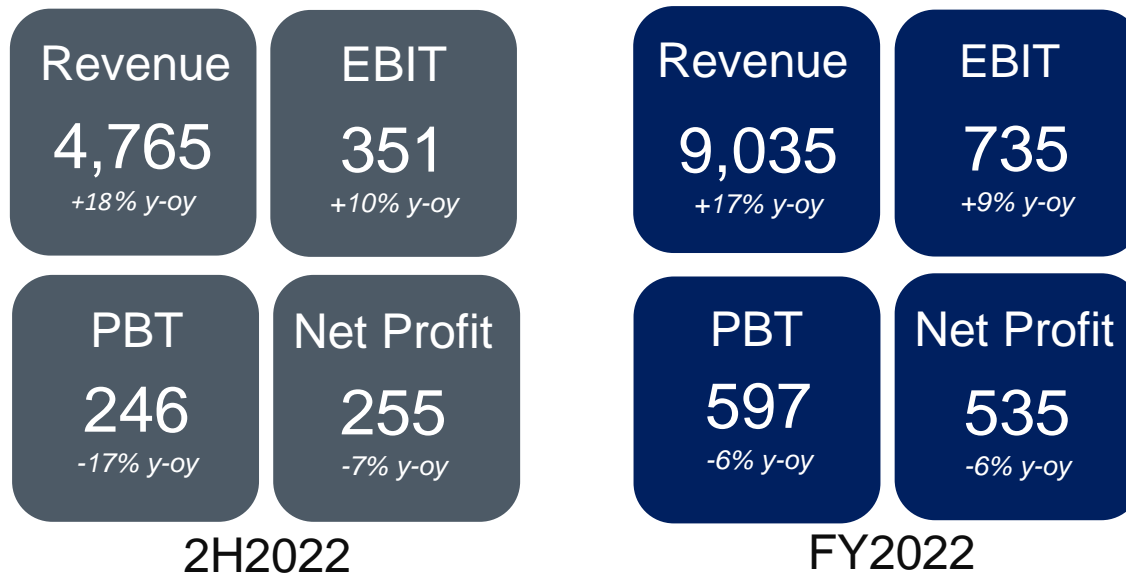
Notes:

- All amounts in millions of Singapore dollars unless otherwise stated
- Amounts may not add to totals shown due to rounding
- All government support refers to COVID-19 related government support only

# **Group Highlights**

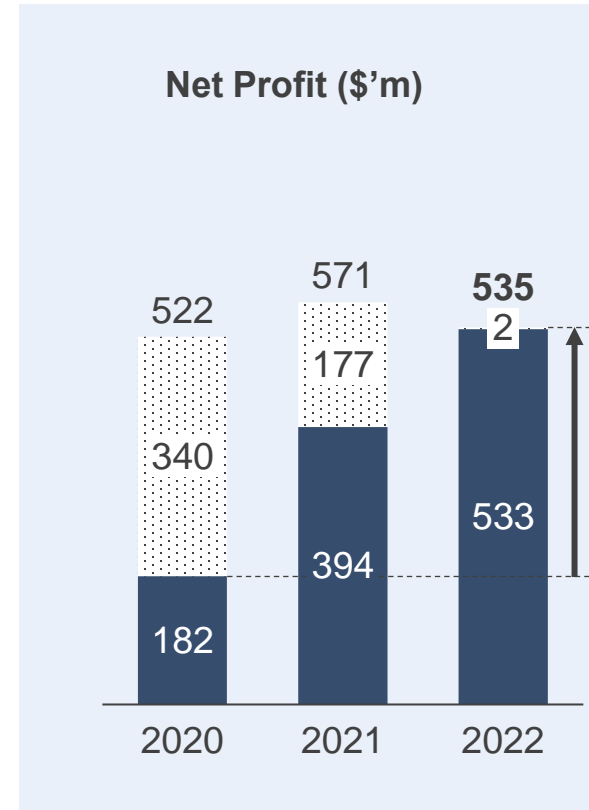
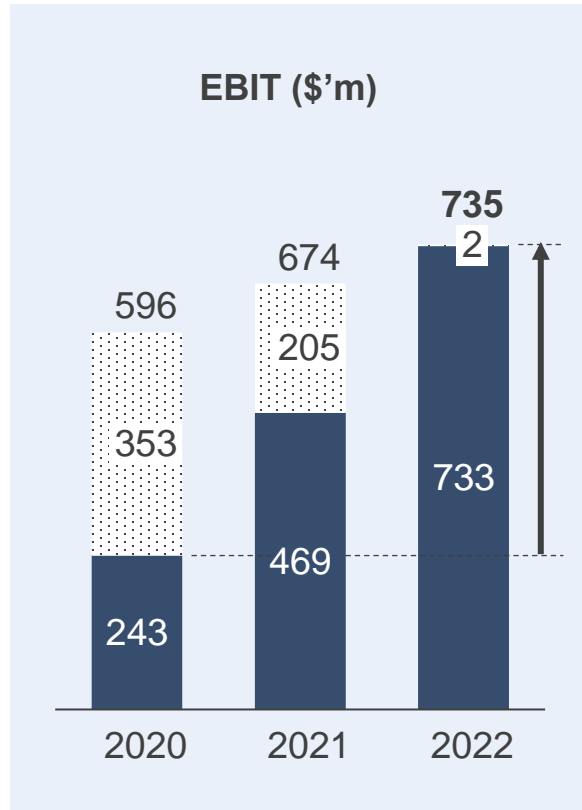
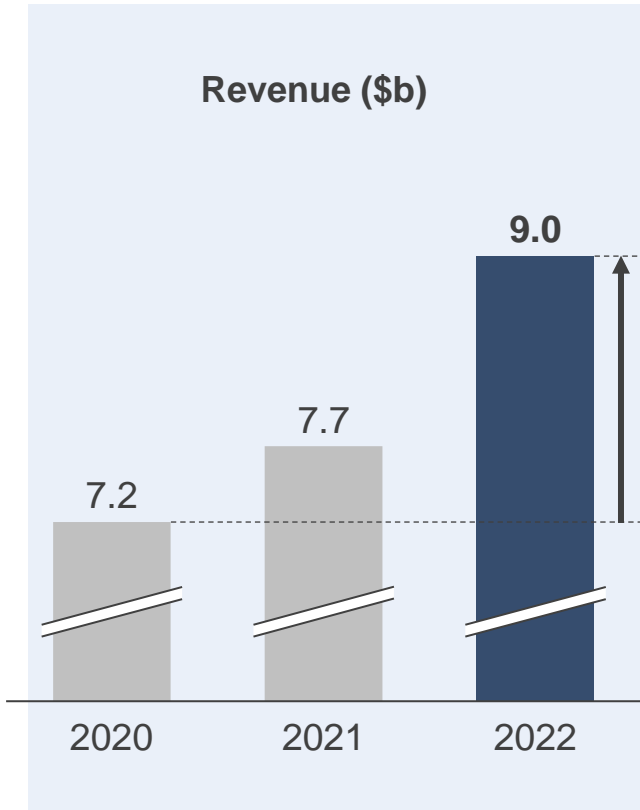
# Group Highlights

- ❑ Group Revenue 17% higher y-o-y
- ❑ EBIT 9% higher y-o-y, despite reduction of \$203m in Covid-related govt. support

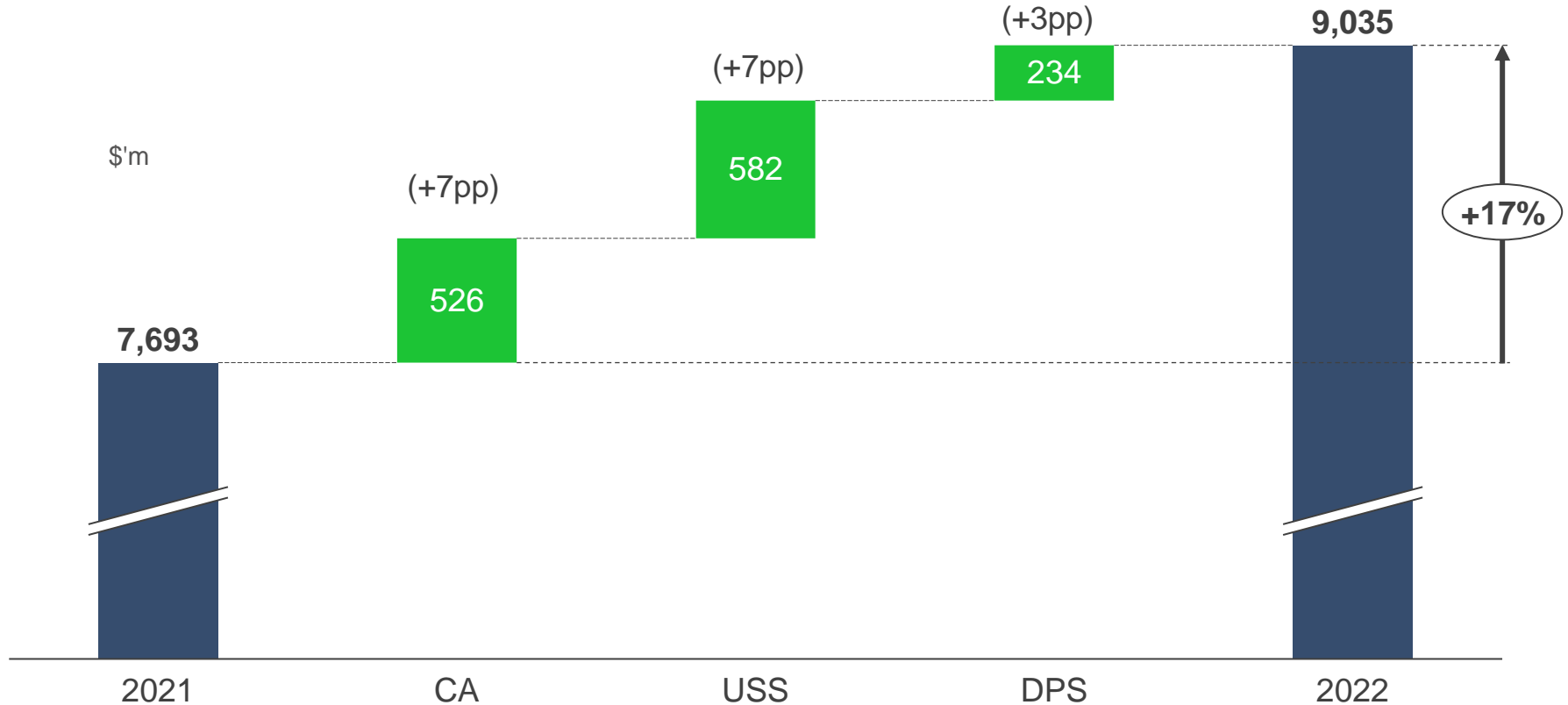


Order book as at 31 Dec 2022: **\$23.0b**;  
about **\$7.2b** to be delivered in 2023

# 2022: Strong Performance Recovery from 2020 Covid year

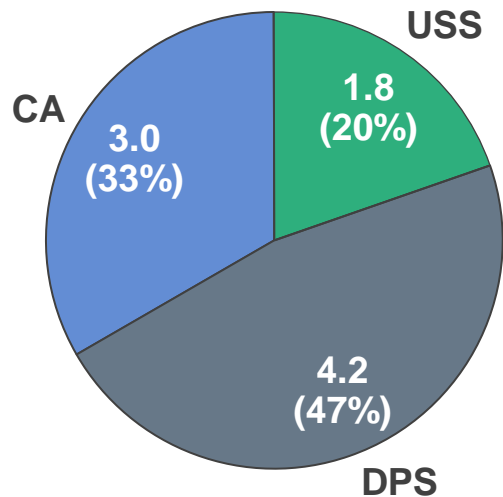


# FY2022 Revenue Growth from all Segments

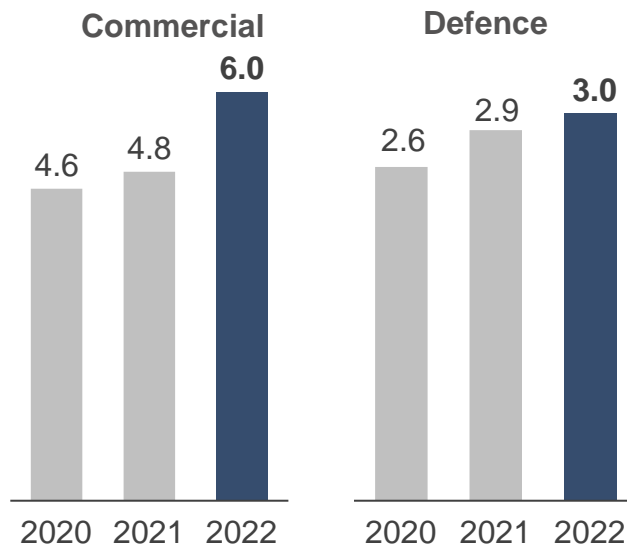


# Group FY2022 Revenue Breakdown

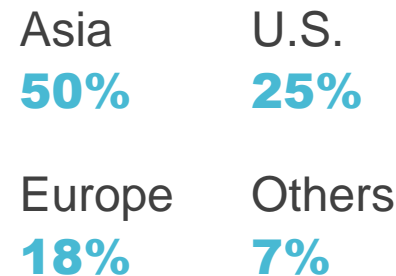
FY2022 Revenue by segment  
\$9.0b



FY2022 Revenue by type  
\$9.0b



FY2022 Revenue by location of customers



CA: Commercial Aerospace

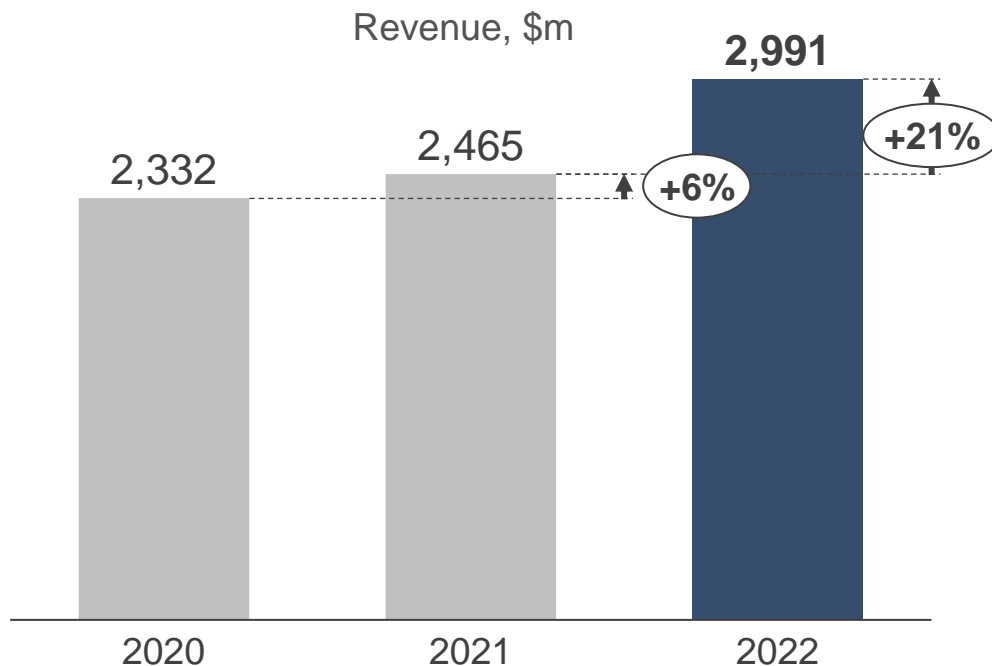
USS: Urban Solutions & Satcom

DPS: Defence & Public Security, and Others

Note: DPS includes defence, public safety and security, critical information infrastructure and other commercial businesses, both local and overseas



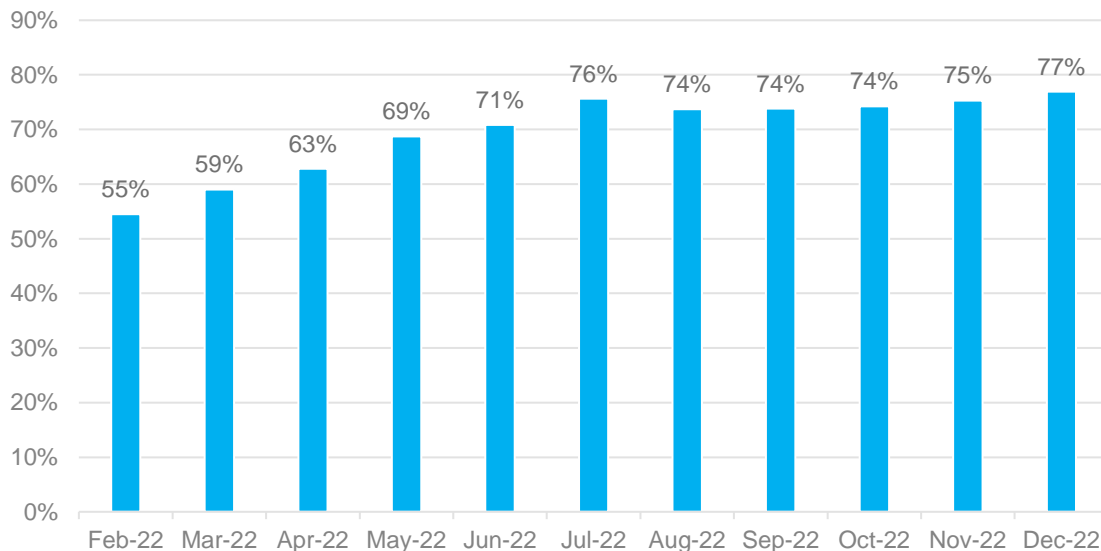
## Recovery in Commercial Aerospace business



- 21% y-o-y revenue growth in FY2022
- PTF<sup>1</sup> Gross profit margin (GPM) at programme level turned positive in 4Q'2022

# Commercial Aerospace Revenue grew with more growth expected

Recovery as % of Dec-2019 Pre-Covid Level



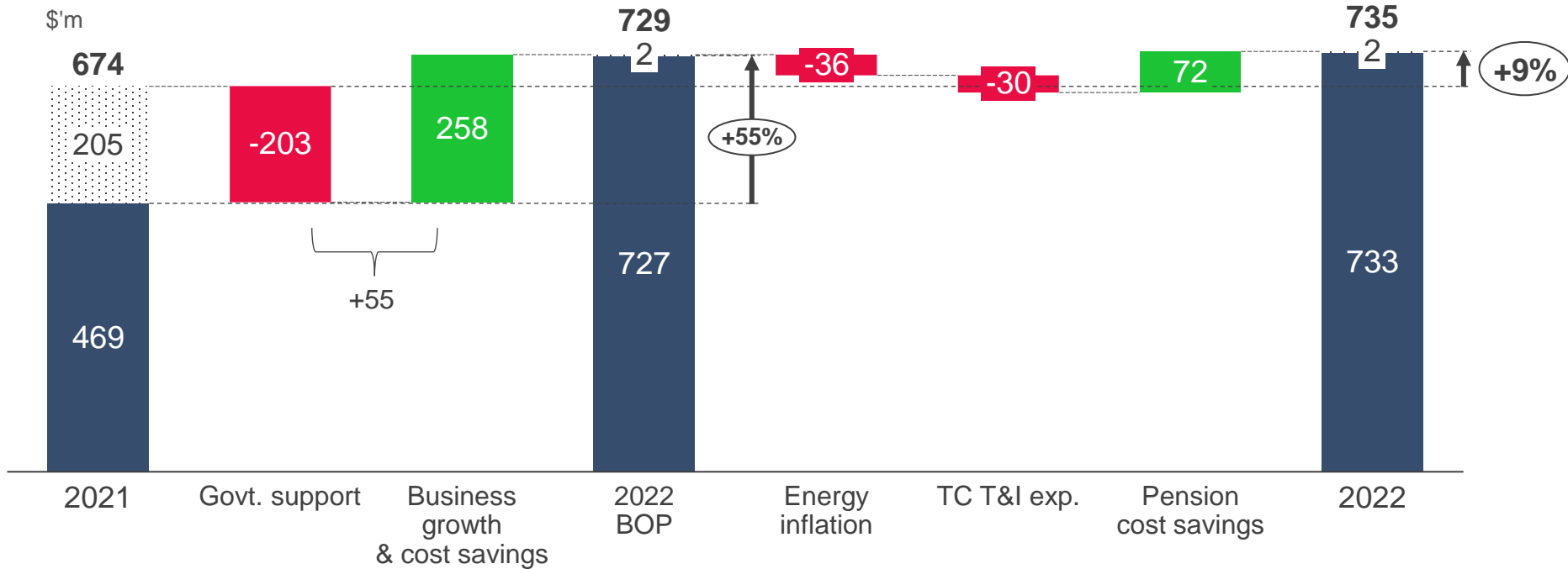
- In Dec 2022, air travel has recovered to 77% of pre-Covid level.
  - Domestic travel leads at 80% and International lags at 75%
  - APAC international air travel at 52%<sup>1</sup>; yet to fully recover
- Re-opening of China is an opportunity
  - Plan to set up airframe MRO JV with SF Airlines in Ezhou

Source: IATA Air Passenger Market Analysis  
Dec 2022 (dated 6 Feb 2023)

<sup>1</sup> (RPK of Asia Pacific based airlines is at 52% pre-Covid level)

# Earnings Before Interest and Tax (EBIT)

☐ Base Operating Performance (BOP) 55% higher y-o-y

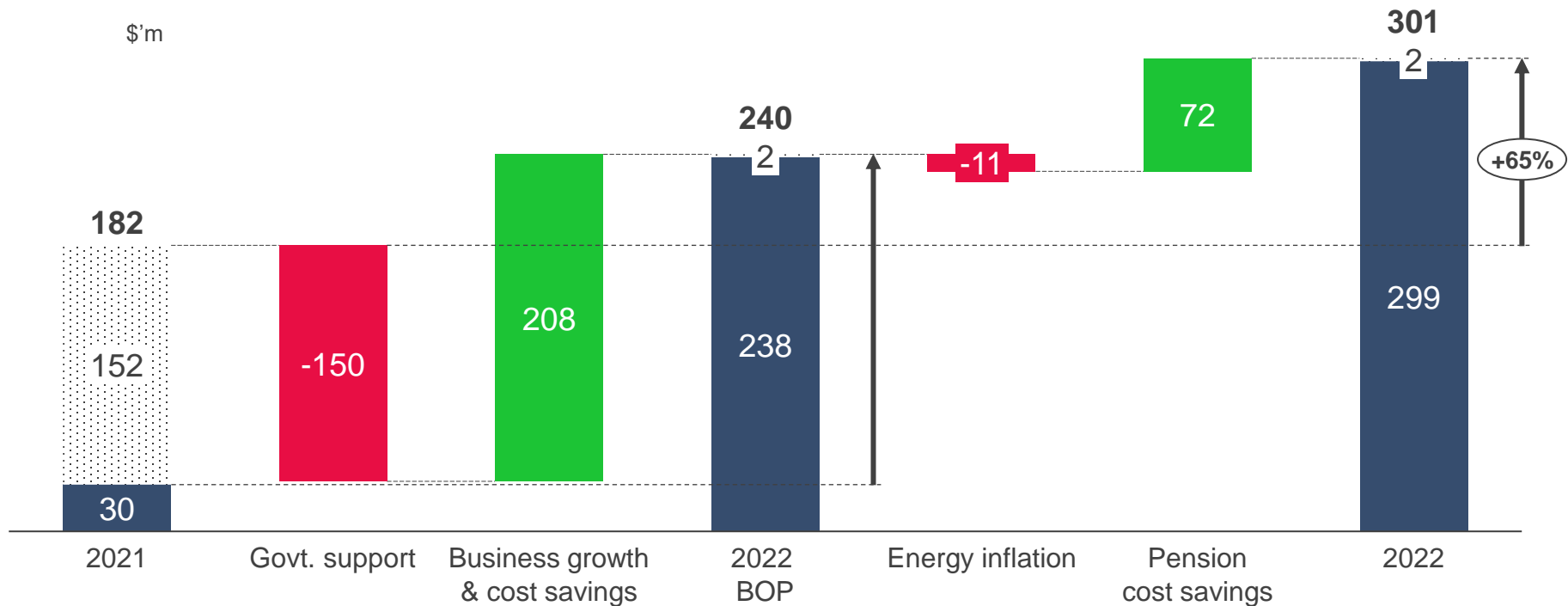


Govt Support

TC T&I exp: TransCore transaction and integration expenses

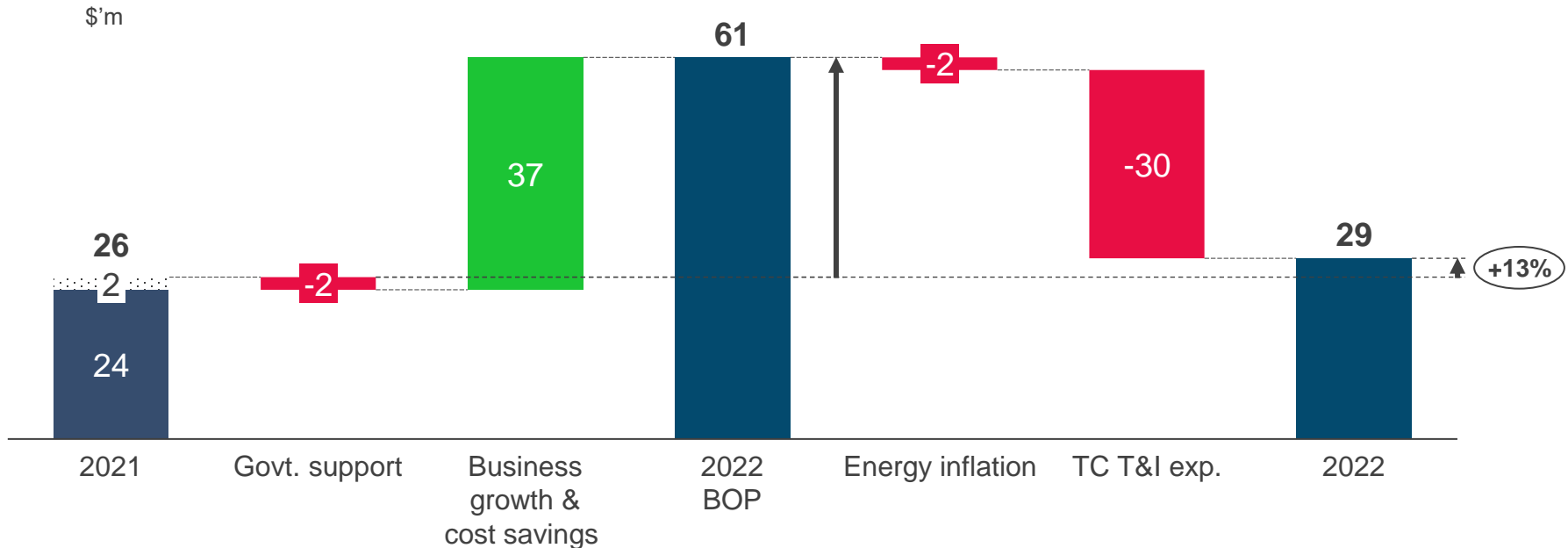
# CA EBIT

☐ Strong EBIT y-o-y; despite reduction of \$150m in government support



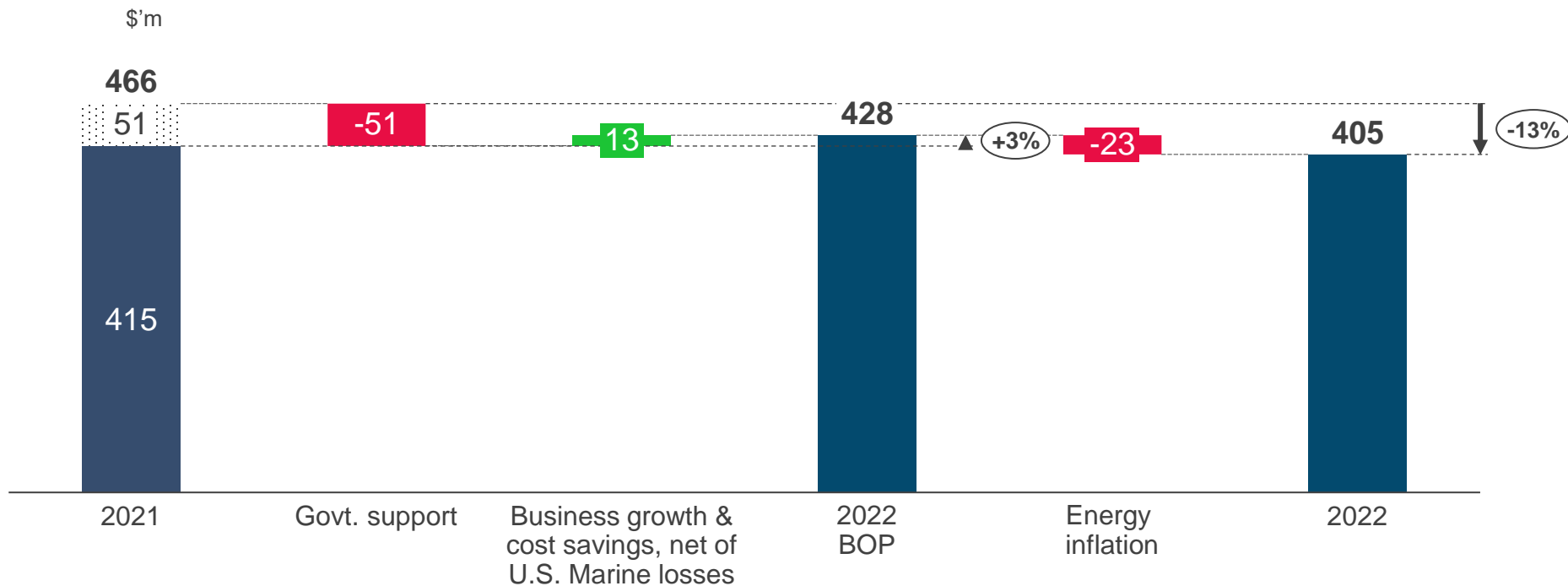
# US\$ EBIT

- ❑ 13% higher y-o-y; despite TC T&I expenses and Satcom’s product development investment
- ❑ Chip shortage impact about \$20m for both 2022 and 2021



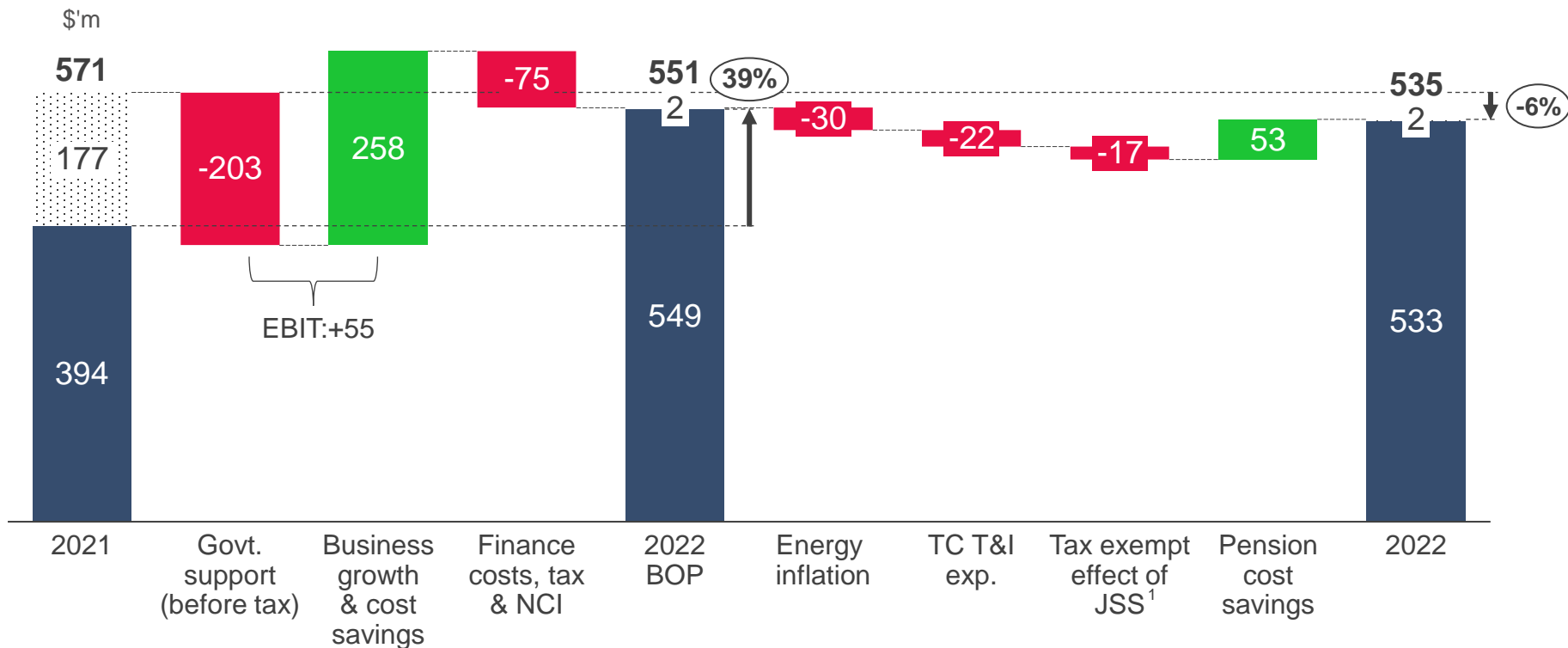
# DPS EBIT

□ BOP 3% higher y-o-y with business growth and cost savings offsetting impact from U.S. Marine



# Net Profit

□ BOP Net Profit 39% higher y-o-y; TransCore not yet earnings accretive in 2022

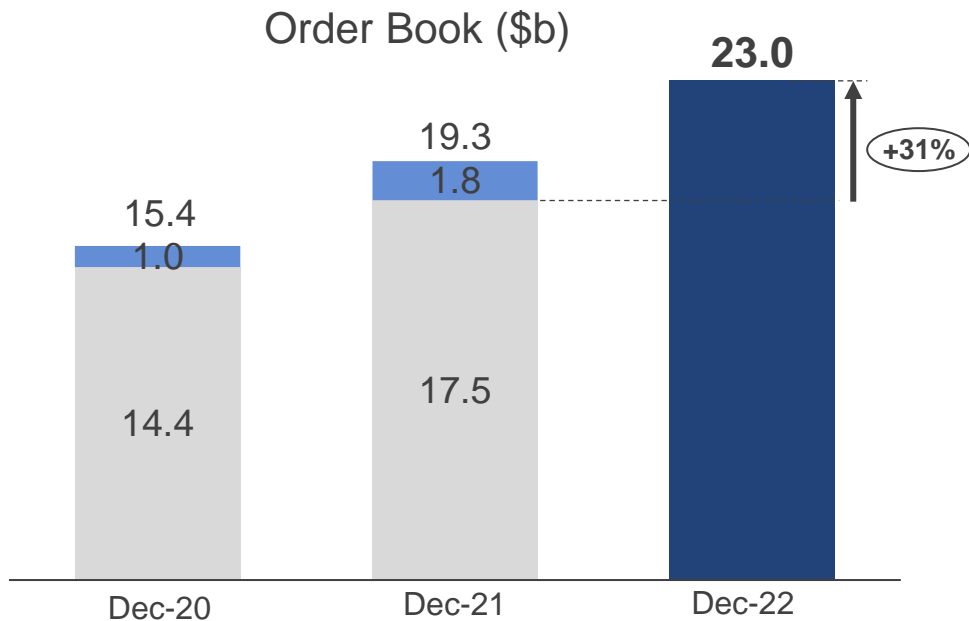


## \$13.1b New Contracts for FY2022, incl. \$2.8b for 4Q2022

	4Q2022	Highlights
<b>Commercial Aerospace</b>	\$680m	<ul style="list-style-type: none"> <li>• CFM56-7B heavy maintenance contracts</li> <li>• A320 Component MBH™ contract</li> <li>• PTF orders</li> </ul>
<b>Urban Solutions &amp; Satcom</b>	\$1,393m	<ul style="list-style-type: none"> <li>• Electronic tolling/O&amp;M contracts in New Jersey, Houston, Pennsylvania and Oklahoma</li> <li>• Passenger Information System contract in Canada</li> <li>• Water metering solutions in the U.S. and integrated smart security solutions in Singapore</li> <li>• Satcom contracts with enterprises, governments and defence customers globally</li> </ul>
<b>Defence &amp; Public Security</b>	\$737m	<ul style="list-style-type: none"> <li>• Digital solutions and services in Cloud, Data Centre and Training &amp; Simulation</li> <li>• AI-enabled Mission Critical Command and Control systems (incl. cybersecurity)</li> <li>• Ship repair and maintenance contracts</li> <li>• Road construction vehicles in the U.S.</li> </ul>
<b>Total</b>	<b>\$2.8b</b>	



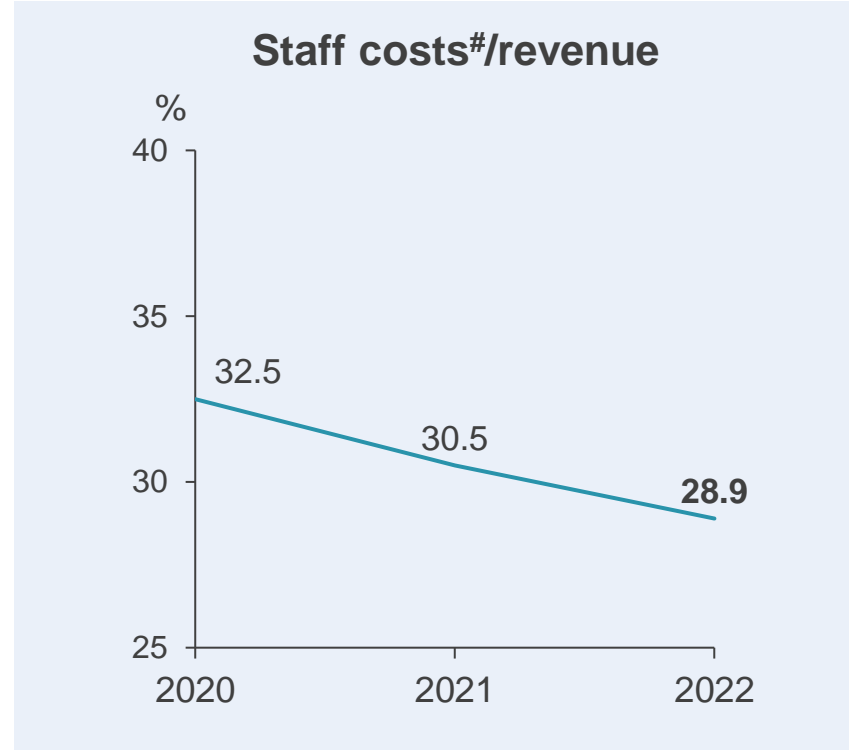
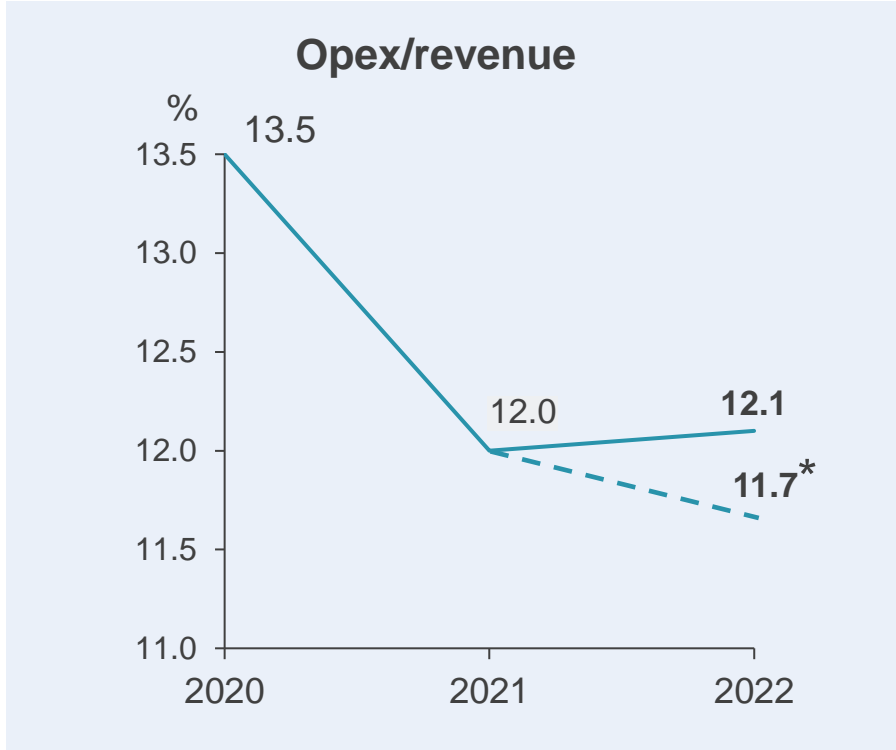
## Order Book Remains Robust



- \$23b as at 31 Dec 2022
- \$7.2b expected to be delivered in 2023

# **Productivity Metrics**

# Productivity metrics trending well

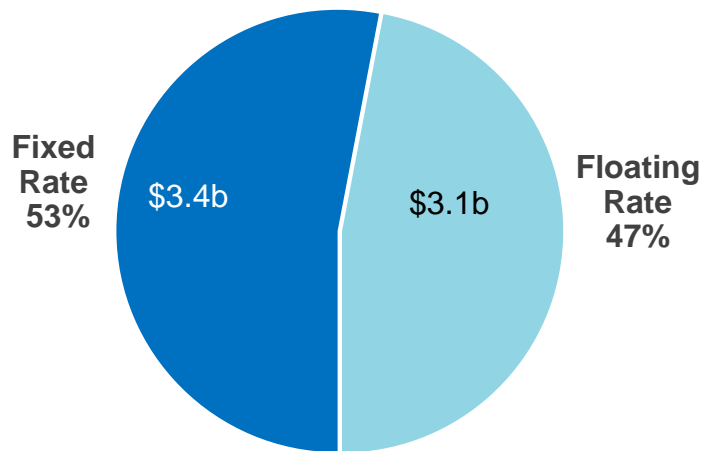


\* Excluding M&A transaction expenses

# Staff costs excluding govt. support

# Debt Profile

## “Fixed vs Floating Interest Rate” Debt Profile - Balanced



**\$6.5b Borrowings  
as at 31 Dec 2022**

- Fixed vs floating interest rate ratio of 53%:47% – balanced and in accordance with interest rate hedging policy<sup>1</sup>
- Marginal increase in Group weighted average borrowing cost for FY2022 - 2.4% (2022) vs 2.3% (2021)
- Weighted average borrowing cost of existing fixed rate borrowings is mid 2%
- Plan to issue US\$500m of fixed rate debt with T-lock gain amortisation of US\$32m
- FY2023 weighted average cost of borrowings estimated to be low 3%<sup>2</sup>

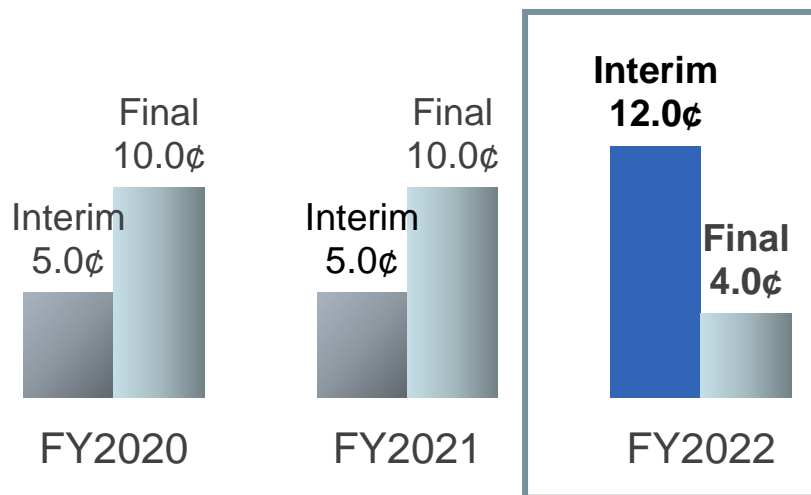
<sup>1</sup> 2021 Annual Report, page 201

<sup>2</sup> Assuming even if U.S. Fed Funds rate increases by up to 100bps from 4.5% – 4.75% to peak at 5.5% – 5.75% in 2nd half of 2023

# Dividends

# FY2022 Final Dividend of 4.0 Cents per Share

Dividend per Ordinary Share

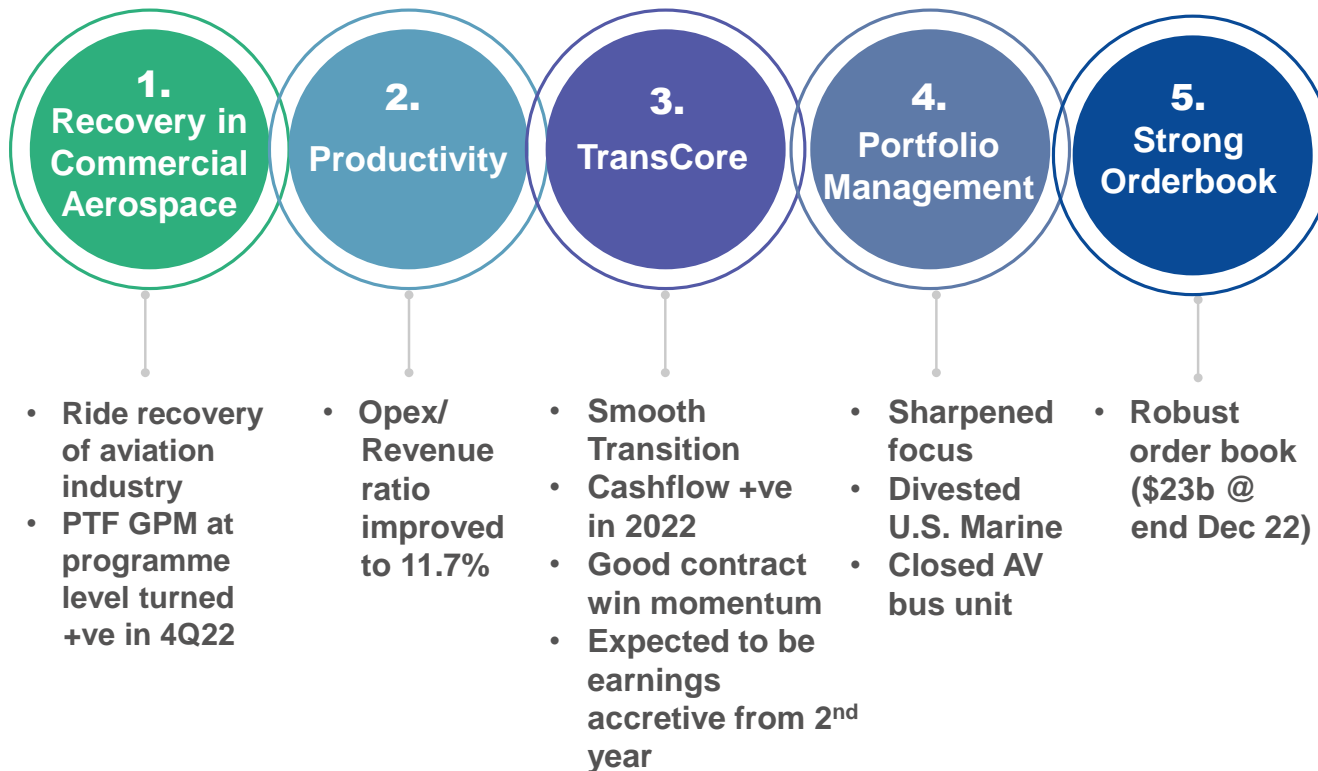


- Final dividend of 4.0 cents per ordinary share for financial year ended 31 December 2022
- Total dividend of 16.0 cents, including interim dividends of 12.0 cents.

# Outlook



# Well positioned for 2023



# Group President & CEO's Message



*Our Group revenue grew strongly, and our underlying operating performance improved significantly by 55% y-o-y. Notwithstanding the dip in Group Net profit y-o-y, we made good progress in 2022 to deliver against our five-year plan (Investor Day targets for 2022-2026).*

*Firstly, our Commercial Aerospace segment has benefited from the recovery in aviation and will see further improvement, especially in the Asia Pacific region and with the re-opening of China.*

*Secondly, for Urban Solutions & Satcom segment, the transitioning of TransCore is smooth and it has demonstrated good contract win momentum (including the New Jersey tolling contracts). As planned, TransCore is now cash flow positive, and we expect it to be earnings accretive from the second year of acquisition. We see abundant opportunities to derive synergies from this strategic acquisition.*

*Thirdly, for Defence & Public Security segment, the losses relating to the U.S. Marine business have been eliminated post divestment. This was a result of our continued focus to high-grade our business portfolio.*

*Finally, all segments won sizeable new contracts culminating in a robust order book of \$23b, which is a leading indicator of future growth.*

*All factors considered, we are well positioned and are optimistic about our future to deliver strong shareholder value.”*

**Vincent Chong, Group President & CEO**

# **Segment Highlights**

## Segment Highlights

# Segment Revenue

<b>\$m</b>	<b>2H2022</b>	<b>2H2021</b>	<b>Change</b>	<b>FY2022</b>	<b>FY2021</b>	<b>Change</b>
Commercial Aerospace	1,587	1,329	+19%	2,991	2,465	+21%
Urban Solutions & Satcom	1,015	663	+53%	1,772	1,191	+49%
Defence & Public Security	2,163	2,051	+5%	4,272	4,038	+6%
<b>Group</b>	<b>4,765</b>	<b>4,042</b>	<b>+18%</b>	<b>9,035</b>	<b>7,693</b>	<b>+17%</b>

Segment Highlights

## Segment EBIT

<b>\$m</b>	<b>2H2022</b>	<b>2H2021</b>	<b>Change</b>	<b>FY2022</b>	<b>FY2021</b>	<b>Change</b>
Commercial Aerospace	118	79	+49%	301	182	+65%
Urban Solutions & Satcom	41	15	+176%	29	26	+13%
Defence & Public Security	191	224	-15%	405	466	-13%
<b>Group</b>	<b>351</b>	<b>319</b>	<b>+10%</b>	<b>735</b>	<b>674</b>	<b>+9%</b>

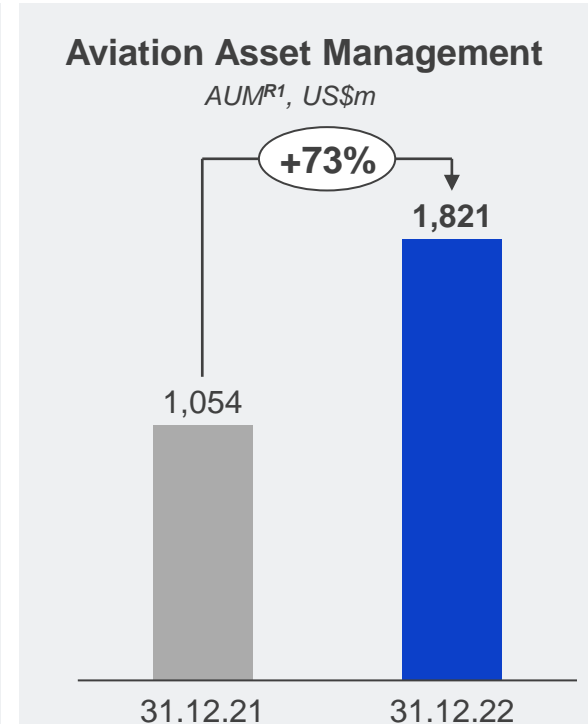
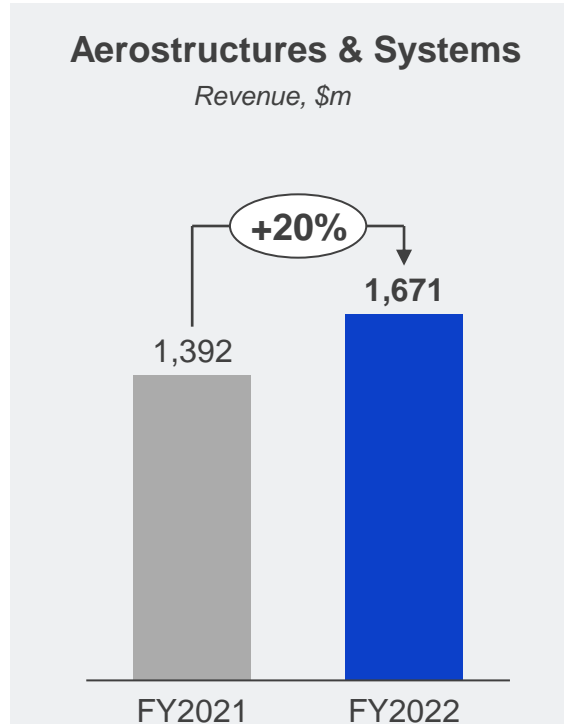
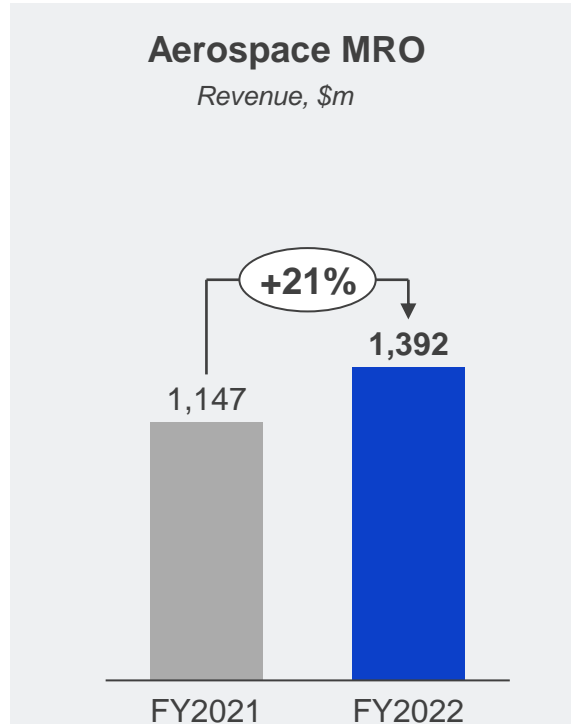
## Segment Highlights

# Commercial Aerospace

<b>\$m</b>	<b>FY2022</b>	<b>FY2021</b>	<b>Change</b>	Remarks
<b>Revenue</b>	2,991	2,465	▲21%	Higher revenue attributable to continued but not yet full business recovery
<b>EBIT</b>	301	182	▲65%	Cost savings (including pension cost savings) and strong business recovery more than offset substantial reduction in government support of \$150m

Segment Highlights

# Commercial Aerospace Sub-segment Highlights



Notes:

- <sup>R1</sup> AUM refers to Asset Under Management, including owned, partly owned and managed assets
- Revenue includes inter-segment and inter-subsegment sales

## Segment Highlights

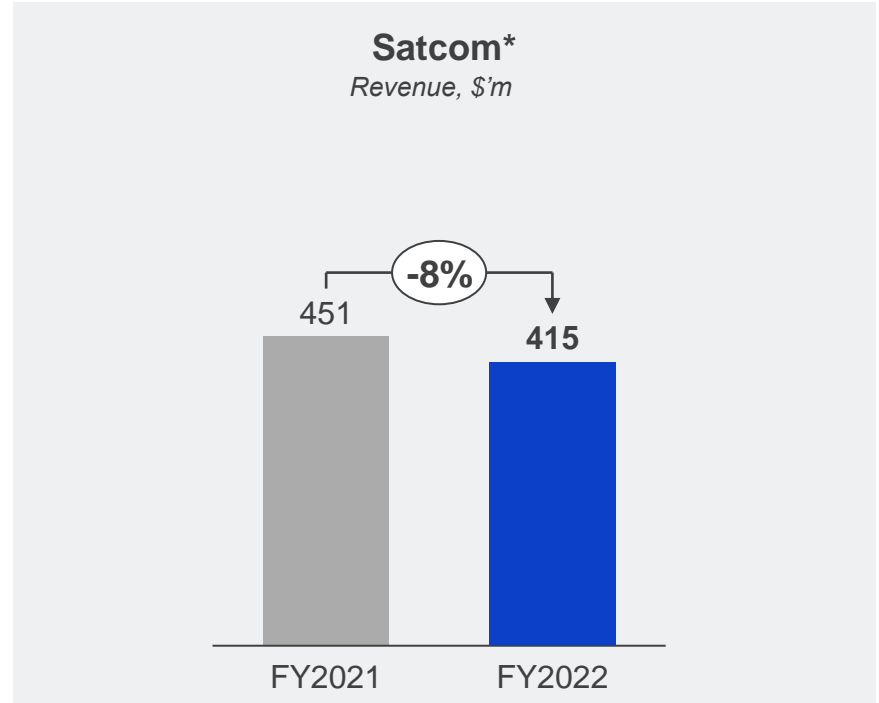
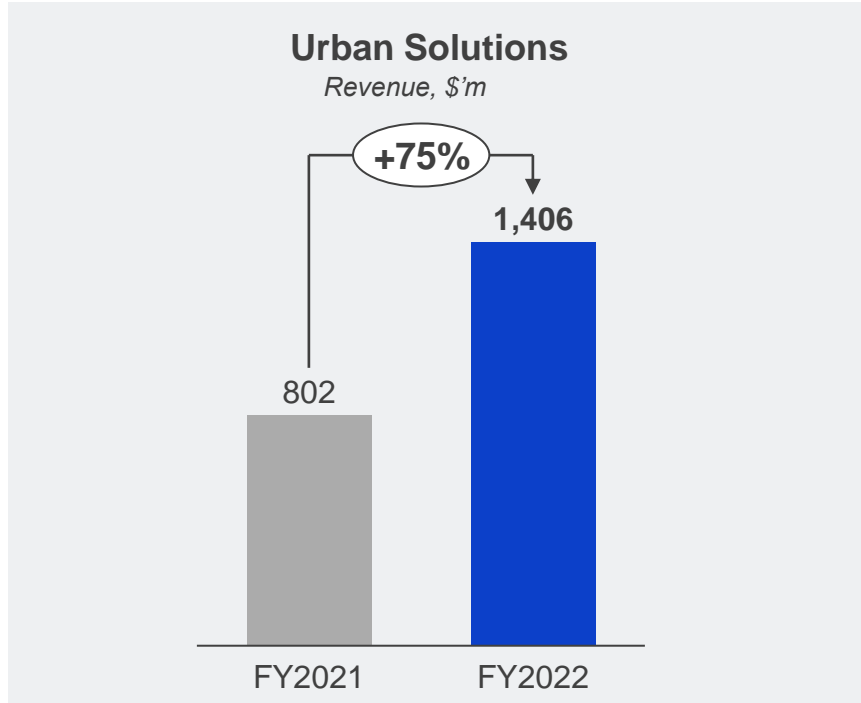
# Urban Solutions & Satcom

<b>\$m</b>	<b>FY2022</b>	<b>FY2021</b>	<b>Change</b>	Remarks
<b>Revenue</b>	1,772	1,191	▲ 49%	TransCore contributed to revenue growth
<b>EBIT</b>	29	26	▲ 13%	Higher EBIT despite TransCore transaction and integration expenses of \$30m and weakness in Satcom due to chip shortages and higher investment in product development.



Segment Highlights

# Urban Solutions & Satcom Sub-segment Highlights



33 | Note:  
Revenue include inter-segment and inter-subsegment sales

\*Satcom was impacted by semiconductor chip shortages and we are monitoring the supply chain closely

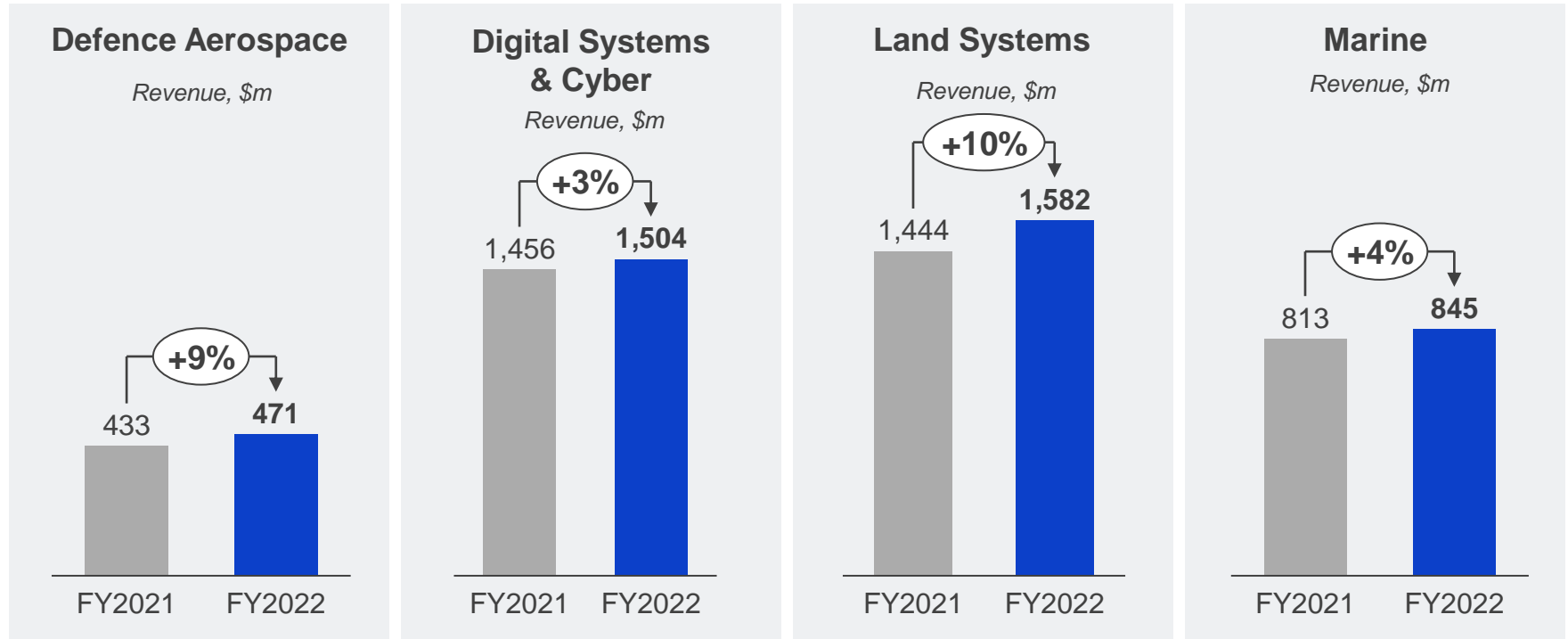
## Segment Highlights

# Defence & Public Security

<b>\$m</b>	<b>FY2022</b>	<b>FY2021</b>	<b>Change</b>	Remarks
<b>Revenue</b>	4,272	4,038	▲ 6%	Higher revenue from all sub-segments
<b>EBIT</b>	405	466	▼ 13%	
<b>EBIT, excl. govt. support &amp; energy inflation</b>	428	415	▲ 3%	Excluding government support of \$51m in prior year and energy inflation impact of \$23m, EBIT would be 3% higher, with business growth and cost savings partially offset by U.S. Marine losses

Segment Highlights

# Defence & Public Security Sub-segment Highlights



# **Appendix**

Group Highlights

## Statement of Financial Position

\$m	31 Dec 2022	31 Dec 2021
Property, plant & equipment	2,076	1,794
Right-of-use assets	582	559
Intangible assets	5,291	1,993
Other non-current assets	888	814
Current assets	6,127	5,356
<b>Total assets</b>	<b>14,964</b>	<b>10,516</b>
Current liabilities	8,005	4,680
Non-current liabilities	4,306	3,168
<b>Total liabilities</b>	<b>12,311</b>	<b>7,847</b>
Share capital and reserves	2,398	2,413
Non-controlling interests	255	255
<b>Total equity and liabilities</b>	<b>14,964</b>	<b>10,516</b>

Group Highlights

## Statement of Cash Flows

\$m	FY2022	FY2021
Net cash from / (used in):		
Operating activities	673	1,114
Investing activities	(4,571)	(414)
Financing activities	3,698	(615)
Net change in CCE*	<b>(201)</b>	<b>86</b>
CCE at beginning of the year	<b>816</b>	<b>729</b>
Exchange difference	(14)	1
CCE at end of the year	<b>602</b>	<b>816</b>

\* CCE –Cash & Cash Equivalents

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